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BY THE SENATE,

FEBRUARY 20, 1868.

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By order,

A. GASSAWAY,

Secretary.

REPORT

OF THE

SENATE COMMITTEE

ON

FINANCE.

ANNAPOLIS:
WM. THOMPSON OF R., PRINTER.
1868.

REPORT.

The Committee on Finance to whom were referred the annual report of the Comptroller of the Treasury, and so much of the Governor's Message as refers to the finances of the State, report: That they deem it unnecessary to go into a detailed statement which shall exhibit a minute account of the various items which constitute the aggregate revenue of the State and its disbursements, but will confine themselves to such consideration of the general features of the financial system of the State, and the condition of the Treasury, as shall furnish information on which they propose resting their suggestions for your action.

The statistics and tabular statements of the Comptroller have relieved the labors of the Committee in the matter of detail, and full information on this subject may be derived from his annual report, which, under an order of your Honorable Body, has been printed and laid upon the desks of its members.

Past legislation has not been wanting in a spirit of rigid determination to collect the revenues of the State, and from time to time has made it the duty of the Comptroller, on short notice, to institute suits for this purpose, and yet, large amounts of arrearages are found standing on the books of the Treasury in almost every department, from which the revenues of the State are drawn. Without saying that another system of collecting the revenues can be devised, which shall be more effective, or that there is anything radically wrong in the present, it is evident that some stronger incentive must be provided to secure the collection of the large arrearages due since since eighteen hundred and forty-five, and some portion long anterior to that peried, or in a few years all trace of many of the debtors of the Treasury will have passed away, and the State be left without remedy for the recovery of large sums, which, if now in her coffers, would go far to relieve this Legislature from the necessity of provision to meet her immediate wants.

The total receipts into the Treasury during the fiscal year

ending on the 30th of September, 1867, were $2,362,876.88, which, added to the balance in hand on the 30th day of September, 1866, made the aggregate for the year $2,730,693.24. The disbursements during this period amounted to $2,573,-855.24, leaving a balance in the Treasury of $156,838. The approximate receipts into the Treasury during the fiscal year which ends on the 30th September, 1868, will be $1,822,000, while the probable disbursements will exceed this amount by $151,000, and discover a deficit to this extent.

To meet this deficit the very large amount of arrearages, due from collectors, sheriffs, clerks and registers, might be regarded as more than ample, but experience has taught that collections from amounts long due are unreliable, and cannot be made a basis of calculation to meet the requirements of the Treasury. In this approximate of disbursements only the sum of fifty thousand dollars has been allowed, as likely to be called for by the Eastern Shore railroad companies under the Act of 1860, but as the proviso in this Act, which directs that the one-fourth only of the amount awarded to each county shall be paid in any one year, has been repealed by an Act of the present Legislature, and the Treasurer will be called on to pay over the larger portion of the whole amount of $500,554.34, within this and the coming year, to the different works of internal improvement now being urged forward. The demands on the Treasury will be augmented by this additional amount. And as by every consideration of justice and sound policy we are called on not longer to disregard the claims of our sister counties of St. Mary's, Charles and Calvert for aid in the construction of works of internal improvement, which have already been recognized in the thirty-fourth section of the third Article of the Constitution, your Committee think it would be advisable to place it in the power of the Treasurer to meet at any time the demands from these sources, when their citizens shall have taken the initiative, and complied with the conditions which this Legislature will most probably enact, and make precedent to their enjoyment of these funds, which are intended for their benefit, and the development of the resources of their section of the State. Should the whole amount of five hundred thousand dollars be placed at their disposal in this and the next year, we shall have to provide for a demand on the Treasury of $1,151,000 for the several purposes hereinbefore indicated. The works of internal improvement on the Eastern Shore have nearly all been placed under contract, and if the distributive shares from the State are paid within the current and the coming year, subject to the provision that before they can be drawn from the Treasury, the Comptroller must be first satisfied that an equal amount has been subscribed and paid in by the company making the demand, the whole

of that productive section of our State will be brought into connection with the main arteries of internal improvement to the North of us, and by short steamboat transit from Somers' Cove to Norfolk, no less closely connected with those to the South of us.

Every principle of right as well as expediency makes it proper and urgent that this long deferred justice should be meted out to these portions of the State, whose resources have been allowed to lie dormant and undeveloped by advantages secured by taxation to other and more favored sections, and which they have submitted to without a murmur. The interest on the amounts paid by these counties into the Treasury of the State for works of internal improvement, in whose direct benefits they have not shared, would long since have amounted to a sum larger than that which they will be allowed to receive. As far back as 1836, $1,000,000 was pledged and set aside for works of internal improvement on the Eastern Shore; and the revenues of the State have been benefited by accruing interest to nearly double the amount of the original appropriation. The justice which demands that the balances due the several counties should be paid when called for, will, your committee are sure, be acquiesced in by every one of your honorable members.

And here it may not be deemed inappropriate, in view of its great importance to the State, and especially to the city of Baltimore, to suggest the great advantages of a connecting link of 13 miles of rail between Middletown, on the Delaware Road and Elkton, which give all the peninsular counties, including those of Delaware, and ultimately of the Eastern Shore of Virginia, a choice of the markets of Baltimore and Philadelphia, with the advantage of a saving in distance over the present route by Wilmington to Baltimore of thirty miles. The building of this road would measurably atone for the great advantages that have been lost to the State by failure to construct the Eastern Shore Railroad as originally contemplated, from Elkton on the level near the Delaware line, to some suitable point on the bay shore of Somerset county, with connecting laterals to the county towns.. This subject receives additional importance from the knowledge that the trafic from all the inland portion of the Peninsula is finding a market in Philadelphia, and the fact cannot be disguised that the affinities of a people go hand in hand with their trade. The people of the Eastern Shore are devotedly attached to their State, and proud of her history, which they have in no small part contributed to make, and the direct interest of Baltimore alone demands that they should not for the want of the trifling sum required to construct this short connecting road, be left in a condition in which they may be

constrained by interest to form connections, which even in the remote future may affect their relations and attach them to a people with whom they cannot be supposed to have the same congeniality as for the citizens of their own state. Nothing can be more important to a state than to hold together the different portions of her territory in the bonds of a common interest, and though your Constitution prohibits any measure of relief in the case indicated, yet the fact has none the less significance, and your committee have deemed it of sufficient importance, in anticipation of the enhanced taxable basis of this portion of the State, to call attention to it in the hope, that under the influence of Legislative approbation, sufficient interest will be aroused in Baltimore to lead to the accomplishment of this short but very important work. This link completed, and the trade over two hundred and ninety-eight and a half miles of rail road, ramified by laterals into a rich and productive country from the main trunk of the Delaware road, will find its natural mart and be poured into the lap of our emporium city. Baltimore must speedily determine whether this trade is worth the cost of this link of a few miles, or when too late lament her supineness, and see it engrossed by the capital and energy of her rival.

The amount necessary to meet the demands on the Treasury, to which we have recurred, will be, as we have stated, $1,151,000, which can be easiest and most judiciously provided by a repeal of the Bounty Act of 1867, and a re-enactment of the Defence Loan Law of 1865, which it was intended to repeal. This Act of 1867 was passed at a time when the legislative mind was engrossed with other and most exciting subjects, and is of more than doubtful constitutionality. And the demands of the Constitution, as well as the exigencies of the State, require its repeal. The purport of the Bounty Acts, as they are called, of 1864 and 1865, was to create a fund which should be applied to the payment of bounties to soldiers, who volunteered or were drafted under the call of the President of the United States, in his proclamation of the 18th day of October, 1863, and were enlisted prior to the 1st day of April, 1864, as a part of the quota of this State in the military service of the United States, or under the call made by him on the 19th day of December, 1864. The Act of 1865 extended the bounty, thus provided, to those who should be mustered into the service of the United States under all similar subsequent calls. It will thus appear that these Acts made no provision for those who, either as volunteers or drafted men, entered the service of the United States to meet the demands on the State of Maryland between the dates of the 1st of April and the 19th day of December, 1864. For those who were mustered into service during this interval of

time, the Legislature, in its too high spirit of liberality, made provision by the Act of 1867, chapter 372. Many of the parties, entitled under this last named Act, presented their claims to the Comptroller, but owing to the depleted condition of the Treasury, none of them were paid; and it now becomes a subject of consideration for this Legislature to determine whether the interests of the State and a proper regard for the economy of her resources, do not require the repeal of this Act. It was entirely a gratuity on the part of the State; she had made no pledge, and had incurred no liability, to the parties who had entered the military service of the Federal Government during this period of time. And although it might be well to reward such services from the abundance of an overflowing Treasury, it becomes those acting in a representative capacity, to regard the interests of their constituency, who, in the exercise of a high confidence, have reposed such trusts in their hands. The requirements from the Treasury to meet this demand, would probably not be less than a million of dollars, to which large sum the Comptroller, in his report, has suggested that the Legislature should add, by an extension of the provisions of the Acts of 1864 and 1865, to the volunteers and drafted men of 1861, 1862, and of a large part of 1863.

The object of these and kindred laws, was to secure enlistments for the United States—to supply the quotas of Maryland, and by placing it in the power of our citizens to procure substitutes, principally without the limits of the State, retain their own services, so important at such time, to keep up production, and to prevent the waste of her rich agricultural resources, already so seriously impaired by the loss of her slave labor. The policy was a wise one, and to it, in no small degree, is due the result, that though Maryland met every demand of the Federal Government for men, she husbanded the lives of her own citizens, and but few of those who added to her productive labor have been lost. The rolls of the Adjutant General's office show that the number of those whom it is proposed thus to make provision for, amount in the aggregate to 13,794, which would make a demand on the Treasury for nearly four millions of dollars. This large amount, added to the million of dollars that would probably be required to meet the provisions of the Act of 1867, chapter 372, and the $1,151,000 which it is proposed to provide for, would swell the addition to the permanent debt incurred by the war, from $601,000 to $6,151,000, and entail on our posterity a debt, which would neither commend our wisdom, or secure their gratitude. The effect of such a policy, too, in making it necessary to place upon our people heavy additional taxation, will be to induce many of those who have located within our borders, to seek other

homes, and act as a blight to the prospects of our State, which have looked to the development of her resources by the encouragement of immigration. It would make it necessary for the State to deal out education with a stinting hand to her children—disappoint in this respect the cherished expectations of her people, and paralize the hopes, which regard the cultivation of her intellectual wealth, as the surest and most solid basis of her growth and prosperity. Your Committee venture the hope that such suggestions will not meet the approbation of this General Assembly. Such legislation is uncalled for, unwise and unnecessary. The demands on the Treasury to pay the bounties already ordered under the Acts of 1864 and 1865, and still outstanding, have been estimated by the Comptroller, among the probable disbursements for the fiscal year ending on the 30th September, 1868, at $240,000. But as this item is covered in the estimate of approximate receipts, it is already accounted for in the deficit, for which this Legislature is called on to make provision.

The payments on account of bounties for the fiscal year ending on the 30th of September, 1867, amounted to $335,397.56, which, added to those made during the years 1864, 1865 and 1866, will sum up the large aggregate of $4,196,864.25. Of this amount there was received from the sale of bonds, repayments from Bounty Boards and County Commissioners, and from the tax of ten cents on the one hundred dollars, authorized by the Acts of 1864 and 1865, the sum of $2,364,107.94, showing the amount paid out of the Treasury during the fiscal years from 1864 to 1867, both inclusive, in excess of receipts from above sources, of $1,832,756.31. This large amount stood to the credit of other funds, and the present financial condition of the State attests the great advantage she has derived from having at the commencement of the late war a large margin in her Treasury. The only addition so far to the permanent indebtedness of the State has been incurred in the issue of her bonds to the amount of $501,000, and the further issue, under the Act of 1867, of the amount of $100,000,—which was appropriated for the relief of the suffering of our sister States of the South—making together $601,000. With this addition, though under the circumstances not large, to the permanent debt, and an exhausted Treasury, the Legislature are called on to act with more than ordinary caution, and guard every avenue of out-going, in order to bring the expenditures of the State within her revenues. For the education of her people, through a uniform system of public instruction, your committee are unable to see how, with any proper regard to her high responsibilities, to make the most liberal educational provision, they can ask any reduction in the amount of appropriations heretofore made for this pur-

pose. Her advancement in knowledge and social refinement, as well as in wealth and material prosperity, will be best secured by the moral culture and mental development of her sons and daughters. The economy which would withhold the means from these ennobling and beneficial ends is fallacious and must result in impoverishment, degradation and decay. The State must rise to the highest requirements of her duty, and make such provision for the education of her children, as will place her among the foremost of her sister States, and offer such advantages to her youth as shall retain them at home in her own seminaries of learning. They must be educated under our social influences and views of government; and in a pecuniary point of view the State should not be drained of her wealth to educate her sons in the institutions of other States. In regard to the charities of the State your committee may indulge a just pride. Many of them have been founded by her liberality and munificence, and should continue to receive her fostering care; but the Legislature must exercise discretion and bestow on those whose objects and organization give promise of greatest usefulness. With retrenchment and judicious economy the State may indulge her liberality without militating against her purpose to pay off her public debt at no distant day.

In her financial policy, this object should be kept constantly in view, and in a comparatively few years she will be clear of every incumbrance. By the course which is pursued of investing the sinking fund, as occasions offer, in the debt of the State, this fund may be now said to represent a purchaser, whose especial duty it has been made to purchase up the bonds of the State, on which, as any other holder, it receives its interest quarterly or semi-annually, and again invests these increments from interest in the further purchase of State bonds, and whenever the time shall arrive when the bonds held by it shall equal the debt of the State, or in other words, whenever this fund shall have absorbed the debt of the State, the debt will be cancelled, because held by a fund, which itself belongs to the State. Under this policy, the debt of the State has been greatly reduced, and but for the unavoidably heavy drafts on the Treasury to meet the expenses and wastes of the late war, we should have been nearly clear of debt. It has been reduced from $13,649,796.53 to $7,614,413.43, and if from this we deduct the amount of $1.529,379.44, still standing to the credit of the sinking fund, the actual amount for which the State would have to provide interest, would be reduced to $5,779,232.85. This remaining indebtedness is more than covered by available assets, but which, at the present time, it might not be judicious to convert or dispose of, as the State may with better economy, continue the gradual liquidation of her debt, as at present, and look forward to the time when the revenue from her works of internal improvement and especially from the Chesa-

peake and Ohio Canal, will complete the work of relieving her from all her obligations. This great work should receive the State's care and vigilance. Time has given it stability, its banks have become firm, and experience has taught those in its management to guard against the effects of freshets or other casualties. Under proper supervision it must in ten or twelve years, according to the opinion of its President, pay off prior liens, and then become a source of large revenue to the State.

Owing to difference in exchange, the interest, which is made payable in London, on the balance of our 5 per cent. sterling bonds, which have been past due since 1865, amounts to something over 7⅔ per cent. The balance on which interest is to be paid, is $802,000, 5 per cent. sterling debt, incurred in 1838, for the benefit of the Susquehanna and Tide Water Canal. The amount required to pay this interest, without other costs, would be $40,100, whereas it costs the State of Maryland to pay this interest (for the last financial year) in London, including interest, exchange and commission, $61,553.50, or a fraction over 7⅔ per cent.; while at this very time there is standing to the credit of the sinking fund $301,257.14 in cash and uninvested, $154,550.00 invested in Baltimore 6 per cent. city stock, and $1,073,572.30 invested in 5 per cent. currency stock, making in the aggregate held by this fund, $1,529,379.44, which, including the portion of it uninvested, yields to the State a fraction less than 4 per cent.

These figures clearly discover the advantage the State would derive from paying off these bonds by the application of the cash, standing to the credit of the sinking fund, and by money to be made from the sale of such amount of the five per cent. currency stock, as may be necessary. But as in the present condition of exchange, this course would not be expedient, and especially as in the financial arrangements which will probably be made to meet the requirements of the Treasury, an advantageous investment may be found for the $301,237.14 in the six per cent. bonds of the State, it will be well to clothe the Comptroller and Treasurer with discretionary power, under the direction of the Governor, either to take up these bonds in the manner suggested at the earliest day that the exchanges will admit of, or in the option of the holder to receive them in exchange, at par, for an equal amount of currency, six per cent. bonds, redeemable at the pleasure of the State, within fifteen years, the interest to be paid semi-annually.

The heavy arrearages due the State from collectors, sheriffs, clerks, registers and others, and the mode of providing for their collection, have received the careful consideration of your committee. These unpaid amounts are composed of accummulations of interest, and monies collected and unaccounted for in the hands of collecting agents; they ex-

tend back to 1841, some to 1827, and running through a series of years up to the 30th of September, 1867, amount in the aggregate to the sum of $849,451.46. At so remote a period, no small portion of this amount will, with the most sedulous efforts to secure it, be lost, and unless energetic means be taken for its collection, the larger portion of it had as well be stricken from the books of the Treasury. Your Committee therefore desire to impress on the Legislature the necessity of enacting a law which shall, through the Comptroller, direct the State's Attorneys in the several counties and the city of Baltimore, to institute the most active measures for the collection of these arrearages.

This law should provide, exclusive of legal fees, for the payment of a twenty per cent. commission on collections made from arrearages which accrued anterior to 1851 ; of a ten per cent commission on those which accrued from the 31st day of December 1851, to the 1st day of January 1861, and of a five per cent. commission on those which accrued between the 31st day of December 1861, and the 1st day of January 1866. They should be empowered to compromise on all claims due the State before the 1st day of January 1866, for release of a part or the whole of the interest on payment of the principal, or for a release of the interest and a portion of the principal on the payment of the balance, their acts under this power being placed under the review of the Governor and Comptroller, and made subject to their confirmation or rejection.

The taxable basis under the last assessment has been nearly doubled ; and your committee feel safe in recommending a reduction in the direct tax from five to three cents in the hundred dollars ; in the school tax, from fifteen to twelve cents in the hundred dollars ; in the bounty tax, from ten cents (as authorized in the Act of 1865, chapter 33, which was repealed, or intended to be repealed by the Act of 1867, chapter 156, and which your Committee suggest should be re-enacted) to five and one-half cents in the hundred dollars, and in the Southern Relief Fund tax, from one cent to one-half cent in the hundred dollars.

Your Committee are of opinion, after very mature reflection, that laws predicated on these views, will lead to a prompt adjustment of the balances due the Treasury, and supply it with means to meet all the requirements likely to be made upon it.

JAMES T. EARLE, Chairman.
HENRY SNYDER,
JOHN M. MILLER,
ALFRED SPATES,
ORMOND HAMMOND.